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ARVIN-EDISON WATER STORAGE DISTRICT

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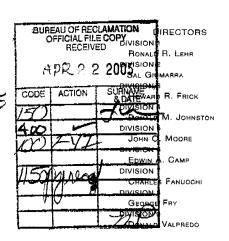
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April 20, 2005



Kirk Rogers, Regional Director United States Bureau of Reclamation MP-100, Regional Office 2800 Cottage Way, Room E-1604 Sacramento, CA 95825-1898

Subject:

M&I Water Shortage Policy - Draft Environmental Assessment

Response to East Niles Community Services District

Letter Dated April 6, 2005

Dear Mr. Rogers:

This letter is written in response to an April 6, 2005, letter to you (copy attached) from East Niles Community Services District (East Niles) regarding water supply issues associated with the Arvin-Edison Water Storage District's (Arvin-Edison) contract with the Federal government for water from the Friant-Kern System of the Central Valley Project.

Please take note that East Niles' comments were not solicited, reviewed, nor supported by Arvin-Edison.

Furthermore, East Niles is both mistaken and misleading in their comments to the Bureau, the following clarifies:

By way of background, East Niles, in the past, had a contract for surface water from Arvin-Edison for use on lands in both Arvin-Edison and East Niles (the overlap area), and their use of it was highly variable and irregular. That contract has now expired and, subsequently, East Niles receives no surface water from Arvin-Edison. East Niles does, however, receive substantial benefits for the overlap area from the Arvin-Edison project, which continues to mitigate groundwater overdraft in the District by the administration of direct and in-lieu groundwater recharge. East Niles relies heavily on its use of groundwater to service its customers.

East Niles requests clarification as to why the March 2005 Draft Environmental Assessment for the M&I Water Shortage Policy for the Central Valley Project does not address that portion of East Niles within the Arvin-Edison service area. It is our understanding that this document is intended to address only the Shasta System portion of the CVP and not the Friant Division. Furthermore, we are not aware of any M&I Contracts on the Friant Division that have

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Kirk Rogers, Regional Director April 20, 2005 Page 2

you are aware, the Friant Division already as a "two tier" system, incorporated into its operations and all water service contracts, providing for both Class 1 and Class 2 supplies. Please also note that if the Bureau were to ever consider granting M&I contracts a priority to water during times of shortage that said policy would be firmly opposed by Arvin-Edison as well as, we suspect, the majority if not all of the Friant Division contractors.

East Niles also raises several other issues in their letter, which are not relevant to the M&I Water Shortage Policy and related environmental documentation, but are issues for which I clarify by the following:

East Niles asked for confirmation that the Bureau does not intend to remove Arvin-Edison from the permitted M&I Place-Of-Use (M&I POU). While we know of no efforts to remove Arvin-Edison, we are aware of some confusion, as reported by the Bureau, as to whether or not all or portions of Arvin-Edison is currently within or, has ever been in, the permitted M&I POU. Regardless of the ultimate resolution, please be aware that Arvin-Edison is firmly opposed to any action that would amend, revise or otherwise "open" the Friant-Kern water permits held by the Bureau for ANY reason, including, but not limited to, amending the M&I POU to include Arvin-Edison lands. Please note that the Friant Water Authority at their March 24, 2005, Board of Directors' meeting also unanimously supported this position.

East Niles also expressed interest in obtaining a water supply from the Bureau, and suggests that this could be accomplished by simply reducing Arvin-Edison's contract amounts. Arvin-Edison's supplies are already inadequate and it is only able to secure enough surface water to serve less than one-half of the 130,000 acres within the District. Although I'm sure that this goes without saying, Arvin-Edison would not consent to assignment of any portion of its contract with the Bureau to East Niles or any other entity.

If you have any questions as to Arvin-Edison's full position on the issues briefly identified above, please do not hesitate to contact me.

In addition, we request copies of any and all correspondence, formal, written, verbal, of electronic, from East Niles regarding Arvin-Edison and its water supplies.

Sincerely.

Steve Collup

Engineer-Manager

CC:

Board of Directors
Ernest Conant, Esq.
John White, ENCSD
David A. Nixon, Assistant Manager
Steven H. Lewis, Staff Engineer
Ron Jacobsma, FWA
Eric Averett, KCWA

East Niles Community Services District

1417 Vale Street, Bakersfield, CA 93306 P.O. Box 6038, Bakersfield, CA 93386 Phone: (661) 871-2011 Fax: (661) 871-2356

Kirk Rodgers, Regional Director UNITED STATES BUREAU OF RECLAMATION MP- 100, Regional Office 2800 Cottage Way, Room E-1604 Sacramento, CA 95825-1898 April 6, 2005

Municipal and Industrial Water Supply in Overlap Service Area and Comment to M&I Water Shortage Policy - CVP, California Draft Environmental Assessment

Dear Mr. Rodgers,

This letter is being written on behalf of our District, East Niles Community Services District (ENCSD). Our District overlaps, in part, the Arvin Edison Water Storage District. Arvin Edison Water Storage District (AEWSD), through its contract with the Bureau of Reclamation, has, for the past thirty plus years, delivered water to the overlap area via a canal and piping facilities that were constructed by Arvin-Edison as part of their project which was voted on, and approved by the AEWSD's electorate including the "overlap area". Based upon that water supply, our District provided M&I water service to lands within the AEWSD overlap area through a water treatment plant constructed within the AEWSD service area. Due to operational concerns of AEWSD and this District, the service to the overlap area was discontinued and the treatment plant abandoned in 2003. This has placed a great deal of stress on our District to provide water to this area of Arvin-Edison that does not have access to a reliable, good quality water supply. Groundwater in the area is of very poor quality and is not readily available.

Recently, we have obtained the opportunity to participate in the Kern County Water Agency's (KCWA) Urban Bakersfield Water Supply Expansion Project. This project, which you may be familiar with, would allow ENCSD to take AEWSD water at the end of the Friant-Kern Canal, or in its proximity and deliver it to the Cross Valley Canal Extension, and then to the KCWA, Henry Garnet Water Treatment Plant for treatment. From there the water would be pumped through the KCWA East Pipeline facilities to our District. Our District would then deliver the water to the M&I water users in the AEWSD/ENCSD overlap area.

We were recently informed that the USBR has or will be declaring the area of AEWSD that overlaps our District to be <u>outside of the USBR M&I water service area</u>. We strongly oppose this declaration and do not understand how this possibly could happen. The area in the overlap between AEWSD and ENCSD needs a water supply and the Bureau water supply supplied to Arvin-Edison historically has been used in that area and should continue to be used in that area. Some of the lands within the overlap area and potential overlap area currently obtain an agricultural supply from AEWSD. Obviously, these agricultural lands, which are in the urban expansion planning area, will be converted to M&I demands and will, like the agricultural land, need a water supply. We ask for clarification as to why the March 2005 Draft Environmental Assessment for the M&I Water Shortage Policy, Central Valley Project, California does not address the AEWSD service area.

We understand that the AEWSD-USBR water supply contract dated January 20, 2001 (contract 14-06-200-229A-LTR1) does provide for M&I water in the AEWSD service area. We have to believe the overlap area is within the USBR service area for Friant-Kern/CVP Eastside Project Water, for M&I water use. We would appreciate your help in confirming M&I water availability to the AEWSD/ENCSD overlap and potential overlap areas. Please also confirm that the Bureau has not, nor does it intend to, remove these areas from the M&I service area. If it is more convenient for the Bureau and AEWSD for ENCSD to have a direct contract with the Bureau for supplying water within this overlap area, then we would be interested in taking the steps necessary to obtain a water supply Contract with the USBR. The supply could simply come from water now covered by the AEWSD-USBR Contract, as the water would still be used in AEWSD service area that overlaps the ENCSD.

We appreciate your review of this and advice of whom we should be contacting relative to further pursuit of this issue. This is an absolutely essential water supply for the ENCSD area that overlaps the AEWSD and which is serviced with the Bureau's Friant-Kern Canal Project water. That supply cannot be lost. If the supply is lost, we do not know how it can be replaced in a reasonable time or at a reasonable cost.

We have offered to AEWSD to deliver the water from the end of the Friant-Kern to the overlap area through facilities that we will have to finance, construct and operate. As you can imagine, this is not an insignificant financial undertaking. We understand the desire of AEWSD to not provide water to the Municipal/Industrial users in its service area through its canal system. Our proposal eliminates that requirement for delivery. At this time they indicate they may not be able to honor our request because the area is being removed somehow from the USBR M&I service area. We need your assistance in getting this matter resolved so that we can continue service to the M&I water users in the overlap area with an assured water supply.

Thank you very much; we appreciate your continued effort to serve the essential needs of the AEWSD and our District.

Sincerely,

Timothy P. Ruiz, P.E.

General Manager - East Niles Community Services District

Copies to:

David Lewis, Bureau of Reclamation, 2800 Cottage Way, MP-730 Sacramento,

CA 95825

Tung P. B.

Steve Collup/Arvin-Edison Water Storage District

Eric Averett/Kern County Water Agency